

Message Text

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TAGS: AEFIN, EALR, TU
SUBJECT: TUSIAD ANALYSIS OF TURKEY'S FINANCIAL PROBLEMS

REF: ANKARA 6215

1. SUMMARY. LATEST AND WIDELY QUOTED ECONOMIC STUDY PUBLISHED BY HIGHLY RESPECTED ISTANBUL BASED TURKISH INDUSTRIALISTS' AND BUSINESSMEN'S ASSOCIATION (TUSIAD) EMPHASIZES NEED FOR STRUCTURAL CHANGE IN TURKISH ECONOMY IN ORDER TO SOLVE FINANCIAL PROBLEMS WHICH TUSIAD BELIEVES HAVE ALREADY MADE SERIOUS RECESSION IN THE FOURTH QUARTER OF CY 1977 UNAVOIDABLE. ASIDE FROM DOMESTIC ECONOMIC STABILIZATION POLICIES, REPORT ALLUDES TO NEED TO COME TO GRIPS WITH CYPRUS QUESTION, INDICATING CONCESSIONS MAY BE NEEDED IN ORDER TO BREAK AN "ECONOMIC EMBARGO" OF TURKEY.

2 CURRENT ECONOMIC SITUATION, WHICH TUSIAD CHARACTERIZES AS THE WORST FOREIGN EXCHANGE CRISIS IN TURKEY'S HISTORY, IS BLAMED ON LONG STANDING MISGUIDED DEVELOPMENT, PRICING, AND MANAGEMENT POLICIES, ON POLITICAL INSTABILITY, AND ON FOREIGN ECONOMIC PRESSURE.

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3. TUSIAD PREDICTS A BASIC FOREIGN ACCOUNTS DEFICIT OF \$2,750 MILLION FOR 1977, AND ANTICIPATES THAT ONLY \$1,200 OF THAT AMOUNT MAY BE FINANCED BY DRAWDOWN OF RESERVED (\$500 MILLION), CONVERTIBLE LIRA DEPOSIT NET INFLOW (\$400), ACCEPTANCE CREDITS (\$150 MILLION) AND "IMPORTS AND PAYMENT AGAINST COMMODITY", OR SUPPLIER FINANCING ON OPEN ACCOUNT (\$150 MILLION). THE BALANCE OF \$1,550 MILLION REPRESENT
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TURKEY'S NEEDS FOR ADDITIONAL FINANCING IN ORDER TO BRING ACCOUNTS
CURRENT BY THE END OF 1977, AND ADDITIONAL BALANCE OF PAYMENTS
FINANCING WILL BE NEEDED IN EARLY 1978.

4 TUSIAD PROPOSES THAT THE GOT UNDERTAKE STABILIZATION MEASURES TO
INCLUDE CURBING DOMESTIC MONEY SUPPLY, DEVALUING THE CURRENCY,
INCREASING DOMESTIC SAVINGS (I.E. CUTTING CONSUMPTION EXPENDITURES
THROUGH RESTRICTIVE FISCAL AND CREDIT POLICIES), AND INCREASING
PRICES OF STATE-SUBSIDIZED COMMODITIES, IN PARTICULAR PETROLEUM
PRODUCTS. THE REPORT IMPLIES THAT EXPLICIT
IMF APPROVAL OF A TURKISH STABILIZATION PACKAGE, AS WELL AS GOT
CONCESSIONS ON CYPRUS WILL BE PREREQUISITE TO TURKEY'S ABILITY TO
ATTRACT MINIMUM \$1,500 MILLION IN FINANCING NECESSARY TO KEEP THE
ECONOMY AFLOAT.

5. COMMENT. TUSIAD REPORT, WHICH HAS BEEN WIDELY QUOTED IN TURKISH
PRESS, REFLECTS THE INTENSE CONCERN OF THE PRIMARILY ISTANBUL-BASED
INDUSTRIAL COMMUNITY ABOUT THE DECLINE IN TURKEY'S ECONOMIC FORTUNES.
ALTHOUGH THEY MAY DISAGREE ON SPECIFIC PRIORITIES, INDUSTRIALISTS
ARE ALMOST UNANIMOUS IN THE BELIEF THAT THE GOT HAS RUN OUT OF TIME
IN ITS FAILURE TO REACT TO A CRISIS SITUATION, THAT SERIOUS SHORTAGES
OF INDUSTRIAL INPUTS ARE ALREADY UNAVOIDABLE, AND THAT THE GOT MUST
URGENTLY TAKE INITIATIVES IN BOTH DOMESTIC AND INTERNATIONAL FIELDS.
REPORT'S REFERENCES TO ECONOMIC EMBARGO, THOUGH NOT STRESSED,
UNFORTUNATELY LEND CREDENCE TO THIS THEME, DESPITE THE PREPONDERANCE
OF OTHER OBVIOUS REASONS FOR THE CAUTIONARY ATTITUDE OF TURKEY'S
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CREDITORS. IN DISCUSSION WITH AUTHORIS, CONGEN OFFS ATTEMPTED TO
COUNTER THIS VIEW BUT, AS EMPHASIZED IN REFTTEL, IT SEEMS TO BE A
WIDELY AND POSSIBLY STRONGLY HELD ONE, AMONG PRIVATE SECTOR HERE
AS WELL AS IN GOT.
HOUGHTON

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